

MINUTES OF THE RETIREMENT BOARD
Thursday, March 8, 2018

A meeting of the Retirement Board was held on Thursday, March 8, 2018 at 8:30 a.m., in the Administration Building, 9th Floor Committee Room, located at 1 South Main Street, Mount Clemens, Michigan. The following members were present:

Present:

Mark Deldin, Bryan Santo, Carol Grant, Gary Cutler, Matthew Murphy, Larry Rocca, George Brumbaugh

Excused:

Bob Smith

Also Present:

John Schapka, Stephen Smigiel, Stephanie Dobson, Karen Bathanti, Joe Biondo, Larry Lee, Aaron Castle

1. Call to Order

There being a quorum of the Board present, the meeting was called to order at 8:30 a.m. by Chair Deldin.

2. Adoption of Agenda

A motion was made by Trustee Grant, supported by Vice-Chair Santo to adopt the agenda as presented. The motion carried.

3. Approval of Minutes

a. February 15, 2018

A motion was made by Trustee Rocca, supported by Trustee Grant to approve the minutes of February 15, 2018 as presented. The motion carried.

4. Approval of Invoices

A motion was made by Trustee Cutler, supported by Vice-Chair Santo to approve the invoices as presented. The motion carried.

5. Public Participation

Retiree Representative Brumbaugh asked to speak for a moment as a member of the public. Chair Deldin gave him the floor. Mr. Brumbaugh wanted to give a public thank you to the Human Resources and Labor Relations (HRLR) Department for the assistance they provided

him by helping sort out a recent issue with his vision coverage. He said they were quick to help and he is grateful for their assistance. He noted that complaints are often heard more frequently than compliments and he wanted to express his appreciation for their help.

6. Retirement Administrator Report

Ms. Dobson provided a brief update on her new Retirement Specialist. She has been in the position for two months now and Ms. Dobson has been impressed with how quickly she is learning and what an asset she has become in such a short time. Ms. Dobson is expecting that within the next two months she will be fully up to speed and things will be running even more smoothly within Retirement Services.

7. Disability Retirement

a. Arin White (Appeal Request)

Ms. Dobson provided some background on Mr. White's request for appeal. The continuance of Mr. White's disability retirement was denied by the Board at their meeting on November 9, 2017. A letter notifying Mr. White of the Board's decision and alerting him to the 90-day appeal period was sent out to him via certified mail on November 13, 2017. That letter was signed for and received by someone at Mr. White's residence on November 16, 2017. The 90-day appeal period ended on February 9, 2018 (90 days after the letter was mailed out on November 13, 2017). On February 13, 2018, Retirement Services received a letter from Mr. White indicating he wished to exercise his right to appeal. Since the letter from Mr. White requesting an appeal was received after the 90-day period closed (per the language currently found in the Retirement Ordinance), Ms. Dobson is looking for direction from the Board on how they would like her to proceed.

Mr. Castle added that the issue of a request for appeal outside the 90-day window has come up once before and the Board denied that previous request. Retiree Representative Brumbaugh said that when he reviewed this he calculated the 90-day period based on the date that the individual received the letter (not the date it was sent) and his appeal request was received within the window. He thinks that is the more fair way to look at it, but he understands Ms. Dobson's need for clarification. He suggested that in the future, when letters like this are sent out, perhaps a specific date could be included as a cut-off, so there is no question about whether or not a response is submitted timely.

Mr. Castle reiterated that since this issue had come up before and was handled a certain way, it would be best to remain consistent with past decisions. He did agree with Retiree Representative Brumbaugh that moving forward it would not be a bad idea to include a specific cut-off date within the notification letter itself. Ms. Dobson noted that members are also notified when their review is being placed on a meeting agenda for Board approval and they also receive a copy of the report from the doctor recommending the disability retirement be discontinued. She would have no problem adding a cut-off date to future letters.

Trustee Grant asked, for example, when a Proof of Service is completed for a legal matter whether the date is the date the document is sent or the date it is received. Both Mr. Castle and Mr. Schapka confirmed that it is the date the document is sent and referred to this as the “mailbox rule” (the date the item hits the mailbox outbound).

Trustee Rocca indicated he would concur with what Retiree Representative Brumbaugh stated and that he would be inclined to give the individual a break based on when the letter was received.

Chair Deldin asked the other Board members if they had anything else to add. Trustee Cutler responded that it would be possible for someone who knows their continual disability has been denied to consider avoiding claiming something sent via certified mail. That could drag the process out and he agrees that there should be a 90-day window for appeals to be submitted, but that it should not be contingent on when the letter is signed for and considered “received.”

Trustee Murphy agreed that being more specific about the cut-off date for appeal submissions in the notification letter would be a step in the right direction. He also noted that even if the Board accepts Mr. White’s appeal, there is no guarantee that he will prevail.

A motion was made by Trustee Cutler, supported by Trustee Rocca to accept Mr. White’s request for appeal. The motion carried.

Going forward, Ms. Dobson will implement the practice of adding a cut-off date for appeal submissions to the notification letter, so that there is no question when the appeal window closes.

8. McMorgan Infrastructure update

Mr. Tom Wilhelm joined the meeting to provide an update on the McMorgan Infrastructure portfolio. He began with an overview of the company and some background on their investments which are comprised of large scale infrastructure assets. Mr. Wilhelm also discussed a specific investment example in the utilities sector.

Trustee Cutler inquired about what will happen with the capital that has not yet been called as the investment period is drawing to a close. Mr. Wilhelm responded that he expects between 70-75% of the Board’s committed capital will be called by the end of the investment period. At that time, the Board could decide to roll their commitment over into a successor vehicle that is being worked on. Mr. Wilhelm also stressed that fees are only charged on invested capital, which is not how most private equity programs work. He anticipates the next fund would likely be launched sometime this summer and he would be in touch with Mr. Holycross regarding that opportunity as it develops.

A motion was made by Trustee Murphy, supported by Trustee Grant to receive and file the McMorgan Infrastructure update. The motion carried.

9. Wells Fargo Custodial Bank presentation

Mr. Tony Laubach joined the meeting for a presentation on the services Wells Fargo provides as the Custodial Bank for the Retirement System. He introduced himself and provided some background on the organization as well as other key members of his team. Wells Fargo is a full-service provider for defined benefit and defined contribution plans. Mr. Laubauch detailed some of the responsibilities Wells Fargo has in their role as custodian. He also provided a completed due diligence questionnaire that was supplied to him by the Board prior to the meeting. The annual custody fee is a flat \$55,000 and is billed on a quarterly basis. Mr. Laubach offered to come back to meet with the Board anytime if they need additional information or have any questions.

A motion was made by Vice-Chair Santo, supported by Trustee Grant to receive and file the Wells Fargo Custodial Bank presentation. The motion carried.

10. Retiree Overpayment discussion

Mr. Castle distributed a memo for the Board's review that discussed their fiduciary obligations in the event of errors made in processing payments to members or beneficiaries.

A motion was made by Trustee Cutler, supported by Trustee Murphy to enter into closed session. A roll call vote was taken with all members responding affirmatively to enter into closed session. The motion carried.

Upon conclusion of the closed session, a motion was made by Trustee Cutler, supported by Vice-Chair Santo to notify the beneficiary of Mr. Joseph O'Connor that there will be an immediate reduction in the recalculated monthly pension by \$100.00 until the overpayment is recovered. The motion carried.

The draft "Correction of Errors Overpayments/Underpayments" Policy provided by Mr. Castle will be put on the first meeting agenda in April for further discussion and approval by the Board.

11. Unfinished Business

None

12. New Business

Ms. Karen Bathanti of HRLR advised the Board that a memo had gone out to all employees on February 14th via email regarding separate calculations for separate periods of employment. As of today, she has not received any responses to this memo and going forward Ms. Dobson and her team will calculate pensions where there was a break in employment based on two separate time periods and two separate calculations (as the Ordinance states).

13. Adjournment

There being no further business before the Board, a motion was made by Trustee Grant, supported by Trustee Murphy to adjourn the meeting at 9:56 a.m. The motion carried.